Direct Charges to Federally Sponsored Projects
Direct Charges Flowchart

Reasonable?
  YES
  Allocable?
    YES
    Consistent?
      YES
      Allowable?
        YES
        Sponsored Funds Available?
          YES
          Direct Charge to Sponsored Project
        NO
        Not an Appropriate Charge to Sponsored Project
    NO
  NO
  Not an Appropriate Charge to Sponsored Project

Direct Charge to Cost Sharing
Reasonable

“A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.”

(OMB Circular A-21, Section C.3)
Allocable

Costs incurred for the benefit of only one project or costs that can easily be assigned to multiple projects which benefit.

A cost is considered allocable if the goods or services involved are assignable to the sponsored project in accordance with the relative benefits received by the project.
Consistent

A cost charged to a federally-sponsored project should be given treatment consistent with the treatment such a charge would receive if it was charged to a non-federal funded project.

- It doesn’t matter *what it is*. What matters is *how it is used*. 
## Consistency Example - Supplies

(i.e. paper, file folders, pencils, diskettes)

<table>
<thead>
<tr>
<th>Item purchased</th>
<th>Circumstance 1</th>
<th>Circumstance 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Paper</td>
<td>Paper</td>
</tr>
<tr>
<td></td>
<td>Research</td>
<td>Research</td>
</tr>
<tr>
<td>Type of Grant</td>
<td>Develop and print mass number of surveys to collect research data</td>
<td>Print final technical and progress reports</td>
</tr>
<tr>
<td>Nature of Use</td>
<td>Unique to scope of work</td>
<td>Routine administrative work</td>
</tr>
<tr>
<td>Identification with sponsored work</td>
<td>Yes – per CAS and VU direct charge guidelines</td>
<td>No – per CAS and VU direct charge guidelines</td>
</tr>
<tr>
<td>Is it OK?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Consistency Example - Administrative Support

<table>
<thead>
<tr>
<th>Item purchased</th>
<th>Circumstance 1</th>
<th>Circumstance 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Grant</td>
<td>Administrative support</td>
<td>Administrative support</td>
</tr>
<tr>
<td>Nature of Use</td>
<td>Research</td>
<td>Research</td>
</tr>
<tr>
<td></td>
<td>Data entry of research data</td>
<td>Typing of correspondence, journal articles, progress reports, etc.</td>
</tr>
<tr>
<td>Identification with sponsored work</td>
<td>Unique to scope of work</td>
<td>Routine administrative work</td>
</tr>
<tr>
<td>Is it OK?</td>
<td>Yes – per CAS and VU direct charge guidelines</td>
<td>No – per CAS and VU direct charge guidelines</td>
</tr>
</tbody>
</table>
## Consistency Example - Copying

<table>
<thead>
<tr>
<th>Item purchased</th>
<th><strong>Circumstance 1</strong></th>
<th><strong>Circumstance 2</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Copying</td>
<td></td>
<td>Copying</td>
</tr>
<tr>
<td>Research</td>
<td></td>
<td>Research</td>
</tr>
<tr>
<td>Copy and disseminate materials created as part of the scope of work on the grant</td>
<td></td>
<td>Copy journal articles of general interest in your field</td>
</tr>
<tr>
<td>Identification with sponsored work</td>
<td>Unique to scope of work</td>
<td>Routine administrative cost</td>
</tr>
<tr>
<td>Is it OK?</td>
<td>Yes – per CAS and VU direct charge guidelines</td>
<td>No – per CAS and VU direct charge guidelines</td>
</tr>
</tbody>
</table>
What is an Allowable Cost?

- Sections C, D and J of OMB Circular A-21 deal with direct costs, allowability, and unallowable costs.

- Cost Accounting Standards (CAS) regulate consistency in reporting costs, allocating costs incurred for the same purpose in like circumstances, and accounting for unallowable costs.

- In accepting a federally-sponsored grant or contract, Vanderbilt agrees to abide by certain federal rules and regulations regarding the use of the funds.
Allowable

A cost is considered allowable if the cost meets the three tests above and is considered allowable according to the award agreement, Generally Accepted Accounting Principles (GAAP) and other applicable regulations.

(See pages 12-14 of VU Guidelines for Budgeting and Charging Direct Costs for additional information.)
Accounting for Unallowable Costs

- Many costs which are specifically identified as unallowable for federally-sponsored grants or contracts may be allowable if paid for from institutional or non-federal funds.

- Federal regulations specifically prohibit many costs from being charged to federally-sponsored grants or contracts.
Specifically Prohibited Costs

- Advertising for general promotion of University
- Alcoholic beverages
- Fundraising
- Antiques
- Bad debt writeoffs
- Charitable contributions

- Commencement expenses
- Decorative Objects
- Entertainment
- Fine/original Art
- Fines and penalties
- First-class/business class travel differentials
Specifically Prohibited Costs

- Flowers
- Gifts and Awards
- Goods or services for personal use
- Lobbying
- Membership in airline travel clubs

- Selling or marketing products or services of the University
- Social events
- Membership in civic, social or country clubs
Useful Links

- **OMB Circular A-21**
  - http://www.whitehouse.gov/omb/circulars/a021/a021.html

- **OMB Circular A-110**
  - http://www.whitehouse.gov/omb/circulars/a110/a110.html

- **OMB Circular A-133**
  - http://www.whitehouse.gov/omb/circulars/a133/a133.html

- **VUMC Effort Reporting Policy**
  - http://finweb.mc.vanderbilt.edu/AcadRes/GiftsGrantsCont/Policy.asp

- **VU Faculty and Staff Online Effort Training**
  - http://www.webinservice.com/vanderbilt/

- **VU Salary Cap Guidelines**
  - http://finweb.mc.vanderbilt.edu/AcadRes/GiftsGrantsCont/Policy.asp

- **Direct Charge Guidelines**
  - http://www.vanderbilt.edu/ocga/vupolicies/directcost/directcost.htm